

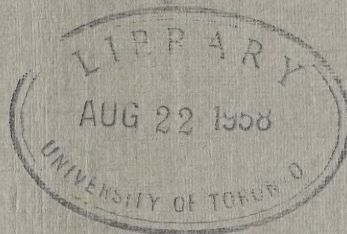
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*Ontario Hydro Electric Inquiry
Commission, 1922-1924*

COPY FOR MR. J. ALLAN ROSS

Secretary's report



HYDRO ELECTRIC INQUIRY COMMISSION

INTERIM REPORT

ON

INTEREST PAYABLE ON FUNDS ADVANCED

TO


THE HYDRO-ELECTRIC POWER COMMISSION

BY

THE PROVINCE OF ONTARIO

JOSEPH H. W. BOWER

SECRETARY



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PARLIAMENT BUILDINGS,
OTTAWA, ONT., CANADA

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Interim Report

on

Letter of Presentation
Interest Payable on Funds Advanced

Historical Sketch to
The Hydro-Electric Power Commission
Interest Payable by

The Province of Ontario

Factors contributing to
Undercharges by Province
The Commission was organized on June 17th, 1924, entitled
"Investigation of Hydro-Electric Development in Ontario"
under the chairmanship of Mr. J. H. Macdonald, Minister of
Mines and Technical Education. The Commission's mandate
was to inquire into the hydro-electric resources of the
Province and to report on the possibilities of their
development and the charges thereon.

In addition, the Commission has been asked to inquire
into the charges on the subject of the subject, and to
report on the same.

The Commission has been organized to inquire into the
subject of the subject, and to report on the same.

Page 1 of 1

Interim Report
on
Interest Payable on Funds Advanced
to
The Hydro-Electric Power Commission
by
The Province of Ontario

Toronto, Ontario,
August 15, 1928.

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Hydro-Electric Inquiry Commission, Report No. 1, presented to
H. B. Gregory, M.P., Chairman,
Toronto - Ontario.

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The report submitted to the Commission by the Auditor General, John A. Macdonald & Company, under date of June 27th, 1928, entitled "Investigation of Provincial Accounts with Reference to Interest Charges on Cash Advances". The Office, Waterhouse report deals with the subject in fullest detail and wherever any has been made of statements, figures or opinions given in the report, these have been carefully checked by the Auditor and are completely concurred in by them.

In addition, examination has been made of evidence submitted to the Commission in connection with the matter of "Interest Charges" and the more important passages of the evidence bearing on this matter are quoted herein.

On account of the nature of the subject, it has been considered better to introduce opinions and deductions in the body of the report instead of dealing with them in a separate section.

Yours very truly,

John A. Macdonald

HISTORICAL SERIES

Toronto, Ontario,
August 15, 1923.

Under the law as it now stands the Province of Ontario as a whole is directly interested in the operations of the Hydro-Electric Inquiry Commission. From the financial point of view W. D. Gregory, Esq., Chairman, of Toronto is - an Ontario. Interest, direct and indirect, which

total about \$167,000,000. Broadly speaking this amount is made up of cash advanced to the Commission by the Province of Ontario, the purchase direct of the Hydro-Electric Power Commission, and money expended by the Commission and charged to the Province of Ontario.

re: General Report on
Interest Payable on Funds Advanced to
The Hydro-Electric Power Commission
By the Province of Ontario

Mr. Chairman and Gentlemen:-

In accordance with your instructions a general report is now in course of preparation entitled "History and General Relations". Included in this report is a section dealing with the interest payable on funds advanced to the Hydro-Electric Power Commission by the Province of Ontario. Inasmuch as the Commission has decided that interest charges should be made the matter of a separate report, the section above referred to has been used in the preparation of this document.

This report is mainly based upon the report submitted to the Commission by the Auditors, Messrs. Price, Waterhouse & Company, under date of June 27th, 1923, entitled "Investigation of Provincial Accounts with Reference to Interest Charges on Cash Advances". The Price, Waterhouse report deals with the subject in fullest detail and wherever use has been made of statements, figures or opinions given in the report, these have been carefully checked by the Auditors and are completely concurred in by them.

In addition, examination has been made of evidence submitted to the Commission in connection with the matter of "Interest Charges" and the more important passages of the evidence having to do with this matter are quoted herein.

On account of the nature of the subject, it has been considered better to introduce opinions and deductions in the body of the report instead of dealing with them in a separate section.

Yours very truly,

John Brown
Secretary

Toronto, Ontario,
August 12, 1933.

Hydro-Electricity Inquiry Commission,
W. D. Gregory, Esq., Chairman,
Toronto - Ontario.

Re: General Report on
Interest Payable on Funds Advanced to
The Hydro-Electric Power Commission
by the Province of Ontario

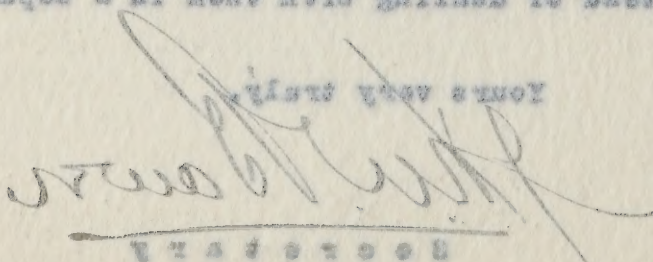
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with the subject in fullest detail and wherever one has been
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these have been carefully checked by the Auditors and are
completely concurred in by them.

In addition, examination has been made of evidence
submitted to the Commission in connection with the matter of
"Interest Charges" and the more important passages of the
evidence having to do with this matter are quoted herein.

On account of the nature of the subject, it has been
considered better to introduce opinions and deductions in the
body of the report instead of dealing with them in a separate
section.

Yours very truly,

W. D. Gregory

THW:G

HISTORICAL SKETCH

Under the law as it now stands the Province of Ontario as a whole is directly interested in the operations of the Hydro-Electric Power Commission. From the financial point of view it has assumed obligations, direct and indirect, which total about \$162,000,000. Broadly speaking this amount is made up of cash advances, guarantees in respect of bond issues, the purchase direct by the Province of the Central Ontario System, and moneys expended by the Commission and charged to the Provincial account.

Summing up the conditions at March 31st, 1923, the Provincial liability in respect of all undertakings may be most conveniently classified under four distinct headings as follows:

(a) Cash advances made by the Province of Ontario recoverable by sinking fund instalments	\$107,282,799.90
(b) Guarantees given by the Province of Ontario in respect of bond issues for the payment of which the Province will become liable in the event of failure by the Commission to meet its obligations	42,994,831.95
(c) Bonds issued by the Province of Ontario in respect of the purchase, and expenditures on the Central Ontario System, which are not covered by sinking fund accretions except to a very limited extent	12,117,708.78
(d) Moneys expended by the Commission to October 31st, 1921, and charged to Provincial account, not recoverable by the Province	<u>2,505,090.57</u>
	\$164,900,431.20

Deduct Sinking Funds -

Niagara and other power

systems . . \$2,508,919.21

Central Ontario System 28,663.602,537,582.81

\$162,362,848.39.

MINISTRE DES REVENUS

Under the law as it now stands the Province of

Ontario as a whole is almost completely exempted from the operation of the Hydro-Electricity (Tax) Commission. The only exception being that of the Niagara Falls area, which is not exempted. It is not known whether this exemption is now being extended to the rest of the Province of the Great Lakes. The Government of Ontario is expected to pass legislation to this effect in the near future. The Government of Ontario is expected to pass legislation to this effect in the near future.

Provincial Revenue

Summary of the Revenue of the Province of Ontario for 1931-32

Provincial Revenue in respect of all sources other than the following: (a) Income Tax (b) Corporation Tax (c) Sales Tax (d) Excise Tax (e) Stamp Duty (f) Other Taxes

Revenue

(a) Income Tax (b) Corporation Tax (c) Sales Tax (d) Excise Tax (e) Stamp Duty (f) Other Taxes

1931-32

(a) Income Tax (b) Corporation Tax (c) Sales Tax (d) Excise Tax (e) Stamp Duty (f) Other Taxes

1931-32

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1931-32

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1931-32

1931-32

Revenue of the Province of Ontario for 1931-32

1931-32

1931-32

1931-32

Statutory Provisions re Interest Payable

The present report deals only with the interest which the Commission is required to pay to the Province on the cash advances made to it. At the present time, as stated above, the total cash advances made by the Province of Ontario to the Commission are about \$107,000,000. While the Commission has always been required under the Power Commission Act to pay annually interest to the Provincial Treasurer on cash advances made to it, there have been several amendments to the original Act in respect to the amount payable and the relationship between the Province of Ontario, the Commission and the municipalities in this respect. **COPY** For the purpose of convenience, therefore, hereunder is given a brief historical synopsis of the changes made from time to time in the Power Commission Act relating to this matter.

Prior to October 31st, 1914, the Commission was required to charge in the cost of power to the municipalities a flat rate of 4% representing interest on all cash advances made in respect of works constructed by the Commission. Thus the municipalities were liable to pay this flat rate of 4% interest on the capital invested on their behalf by the Commission, which was represented by funds advanced to the Commission by the Province. Subsequent to October 31, 1914, the municipalities were liable to "pay 4%" plus such sum as the Lieutenant-Governor "may direct to cover the difference

Statement of the Committee on the Judiciary

The present report deals with the interest which the Committee is required to pay to the Government of the United States in its present form, as stated above.

The total amount advanced under the provisions of Article 1 of the Constitution and Article 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

between the 4% and all charges and expenses of providing money advanced. (1915, c.19, s.11).

On October 31st, 1917, an Order-in-Council was passed, pursuant to the amendment above referred to, requiring the municipalities to pay an additional \$51,290.11, being "the difference between the 4% interest.....and all charges and expenses of providing such money." Thus up to this date "all sums received by the Commission on account of sinking fund or interest....." were "paid over to the Treasurer of Ontario" pursuant to Section 15. In this way the Commission, in respect of interest, was merely the collector or middleman. **COPY** It was not a question as to the liability of the Commission to pay interest to the Province, it was simply a matter of the Commission paying to the Province the interest moneys collected from the municipalities under Section 23.

In 1918 an amendment was made to the Act which completely altered the relationship between the municipalities, the Commission and the Province. Section 15 referred to above was repealed and a new section substituted therefor. Sub-section 1 of the new section 15 required the Commission to invest moneys received from municipalities on account of sinking fund in Provincial securities; sub-section (1a) required the Commission to pay interest to the Treasurer on all advances sufficient to reimburse the Province the cost of providing money "as may be from time to time determined

by the Lieutenant-Governor in Council." A new Section 6(b) authorized the Commission to retain all other moneys in a General Fund. Thus it will be seen that as regards interest on advances the Commission was no longer an intermediary forwarding to the Province money received from municipalities under Section 23, but became directly responsible for the payment of interest on moneys advanced to it.

The amendment of 1918 required Orders-in-Council to be passed from time to time fixing the interest payable by the Commission to the Province on account of advances. The amendment made in 1918 was not retrospective. This is the law with respect to **COPY** interest as it now stands, and the amount payable by the municipalities to the Commission under Section 23 is the same as that payable by the Commission to the Province under Section 15(1a).

In review of the conditions thus obtaining with respect to the matter under discussion, it would appear that the clear intention of the 1915 amendment referred to above was that the municipalities should pay the "cost" of the money advanced. It will be shown hereafter that the amount required by the Order-in-Council of October 31, 1917, in the sum of \$51,290.11, was not sufficient to pay the cost, and the view is held by some that this Order-in-Council might therefore be regarded in the nature of an interim charge. The decision in reference to this matter appears to rest upon the intention

(S)

At the Washington-Devotion in January, 1917, the Committee

authorized the Commission to obtain all other money in a
Federal Fund. Then it will be seen that no money is interest

on interest the Commission can be taken on interest

interest on the Federal Fund, except for interest

under Article 17, but which is not interest on the

payment of interest on money advanced to it.

The Commission at this point is not

to be taken even then to the time of the interest

the Commission in the Federal Fund is not interest. The

interest on this is not interest. This is the

with respect to interest on the Federal Fund, and the

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interest on the Federal Fund.

In view of the Commission's report on the

report on the Federal Fund, it would appear that

the Commission of the Federal Fund is not interest

and that the Commission is not interest on the

interest. It will be seen that the amount of interest

by the Federal Fund of October 11, 1917, in the sum of

\$1,000,000, was not sufficient to pay the cost, and the

is not by the Federal Fund, but by the Federal Fund

interest on the Federal Fund is not interest. The

interest on the Federal Fund is not interest. The

interest on the Federal Fund is not interest. The

the Government had when the Order-in-Council was passed. If the Government decide that the Commission is required under the Act to pay the full cost of funds advanced to it, an Order-in-Council may be passed at any time requiring the actual payment of the cost of money advanced to the Commission subsequent to October 31, 1914.

By Section 15(1a) the Commission is required to pay interest annually at a rate to be determined "from time to time" by the Lieutenant-Governor in Council. As far as we can learn no Order-in-Council has been passed in this respect. The Treasury Department has determined the rate applicable to the advances made and charged same to the Commission, but no Orders-in-Council were passed determining the rate as contemplated by the Act. However, the Commission has always paid interest at the rate fixed by the Treasury Department, except in connection with the Cameron Falls Development.

If the requirements of the Act had been strictly followed, and Orders-in-Council passed from time to time determining the rate of interest payable on all advances to the Commission, there would have been no room for the alleged misunderstanding between the Government and the Commission as to the rate of interest payable on advances for the purposes of the Cameron Falls Development, and no possible foundation for the argument advanced by Mr. Lucas, hereafter quoted, in support of his contention that rate of interest

(4)

The Government has been the subject of many rumors.

It has been reported that the Government is planning to

take action to pay the debt of the Government.

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take action to pay the debt of the Government.

payable had never been determined as required by the Act.

The following is an extract from this Commission's Interim Report on the Thunder Bay System:

"At the end of 1921 the interest statement as between the Government and the Hydro-Electric Commission was made up in due course at 6.5 per cent., the rate being based upon the statute. Instead of paying this amount, however, the Hydro-Electric Commission made up interest and other charges on the basis of 5 per cent. and charged back to the Government all interest and charges over 5 per cent. which had been paid by it to the Government in the years 1918, 1919 and 1920. This alleged overpayment which was charged by the Hydro-Electric Commission against the Government amounted to \$71,347.41." (p.12)

COPY
In this report the following is an extract from the evidence of Mr. I. D. Lucas, at one time a Commissioner, and now an official of the Commission, given before us at the hearing on the Thunder Bay System:

Q. "They have to deal with it (interest) according to the Act; they haven't any authority to deal with it otherwise?"

MR. GABY: No, unless some other arrangement is made with the Government and with the Commission.

THE CHAIRMAN: I am surprised, Mr. Gaby, that the Commission should treat this matter in such a light way. Here is a case where you know yourself that the legal rate of interest which you are liable for is 6.2. There is absolutely no question about it. The Legislature has fixed that, and nobody has any authority to change that but the Legislature, and here, although you know that is a charge against your System, you deliberately leave that off your statement?

A. Mr. Gregory, I don't believe that, that we are treating the matter lightly. As I have

already stated, we have dealt with the matter in accordance with discussion with the Cabinet Ministers, and it is also a matter that the Commission has dealt with in accordance with their understanding.

Q. "You have no business to change the rate of interest. Can anybody write off a mortgage just because they have it?"

A. "I am not dealing with the matter. This is a matter for the Commission to answer, and I am only telling you what I know about the situation, as to the arrangements with the Government in connection with this matter."

Q. "They made no arrangement. The Government say they made no arrangements in respect to the moneys which came into your hands and the rates of interest charged."

HON. MR. LUCAS: "Mr. Gregory, I think there is still some misapprehension in your mind. The rate, as I understand the law, has not been fixed by the Government."

THE CHAIRMAN: "It has been, according to the Government and statements rendered to you."

HON. MR. LUCAS: "Well, I still think, Mr. Chairman, that that is not the law."

THE CHAIRMAN: "Well, the auditor says it is, and the auditor says that you are liable for it."

HON. MR. LUCAS: "Permit me to continue to make my statement. I still think that that is not the law no matter what the auditor says, because the law says, if I recall it rightly, that the rate of interest shall be fixed by Order-in-Council, and no Order-in-Council has ever been passed fixing the rate, and there is no Order-in-Council that I am aware of, or ever had any knowledge of, fixing that rate of interest."

Mr. Lucas, in the case of the interest payable on advances for the Cameron Falls Development, maintained that

already stated, we have dealt with the subject in connection with the Bill, and it is also a matter that the Minister has dealt with in connection with the Bill.

Q. "You have no business to change the rate of interest. Our people will not be satisfied."

A. "I am not dealing with the matter. This is a matter for the Government to consider, and I am only stating what I know about the situation. As to the Government's view on the matter, I am not dealing with that matter."

Q. "They make an assumption. The Government say they make an assumption in regard to the people which does not give them the right of interest money."

A. "The Minister, Mr. Speaker, I think there is a misunderstanding in your mind. The fact is, as I understand the law, has not been fixed by the Government."

THE CHAIRMAN: "It has been, according to the Government and according to the law."

Q. "The Minister, I will state, Mr. Speaker, that this is not the law."

THE CHAIRMAN: "Well, the Minister says it is, and the Minister says that you are liable for it."

Q. "The Minister, I think he is liable to say so. I will state that in his law as written that the Minister says, 'The law says, it is really a question, that the law of interest shall be fixed by the Government.' And the Minister says that the law is really fixed by the Government, and there is no doubt in my mind that I am sure of it. He even says that the law is fixed by the Government."

A. "The Minister, in the case of the interest people as

otherwise the Government will be liable, maintained that

the law had not been fulfilled inasmuch as no Order-in-Council had ever been passed fixing the rate. However, since the public hearing at which Mr. Lucas gave the evidence quoted above, we are informed that the Commission have made an adjustment and will pay the full rate of interest as soon as funds are available.

In future, therefore, it would appear that the Government should pass an Order-in-Council annually fixing the rate applicable to the advances made to the Commission, and that an Order-in-Council should now be passed defining the rate applicable to all advances since October 31st, 1914.

COPY

INTEREST PAYMENTS MADE TO DATE

We have referred in the Historical Sketch to the only instance which has come to our attention of the Commission having failed to meet the interest payment on advances made to it, in respect of the construction of works. This instance was in the case of the advances made for the development at Cameron Falls, in connection with the Thunder Bay System, and the matter has been dealt with in detail in this Commission's Interim Report on the Thunder Bay System. At the time this matter came under discussion, the auditor,

Mr. Clarkson, in giving evidence before us, explained in a general way the procedure followed in collecting interest on the advances. The following extracts are from the evidence of Mr. Clarkson given at his appearance before us on October 3rd, 1922, at Toronto:

Q. "What rate of interest do they pay the Government upon this \$6,000,000 add that the Government advanced to them?"

A. "I have it here in the audit. 1913, at the rate of 6.88% per annum; October 31, 1919, 5.341% per annum; October 31, 1920, 6.2% per annum; the fiscal year ending October 31, 1921, at the rate of 6.5% .

Q. "Would you tell us as nearly as you can on what basis these rates are fixed?"

A. "There are two provisions in the Act, Mr. Gregory. Under Sec. 1a of Sec. 15, this is what is stated: 'The Commission shall pay to the Treasurer of Ontario annually interest on the indebtedness of the Commission to the Province for moneys advanced to the Commission by the Province as may be from time to time determined by the Lieutenant-Governor in Council as sufficient to reimburse the Province the full amount of interest paid by the Government on moneys raised for the purposes of the Commission and the charges incurred by it in providing such money.'

"Under Sec. 23, it is provided that in the cost of power for each year, amongst other charges, each municipality shall pay 'such sum as the Lieutenant-Governor in Council may direct to cover the difference between four per cent. interest charged on capital account'—(4% was the rate originally set by the Hydro Act)—'advanced for working capital, and all charges and expenses for providing such money.'

Q. "Then the Government once a year renders a bill to the Hydro for the interest?"

The Commission is of the opinion that the proposed
amendment to the Bill is not necessary and is
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not in the interest of the people.

A. "Once a year; at the end of each fiscal year, the Treasury Department makes up the bill in which it states the rate of interest that the money advanced to the Hydro has cost it during that year."

Q. "Was such a bill rendered to the Nipigon System?"

A. "Not the Nipigon System."

Q. "I mean to cover the amount advanced?"

A. "Covering all the advances in each year."

Q. "That was rendered last year?"

A. "Yes, sir."

It would appear, therefore, that the Government follows the practice of computing the average effective interest rate on all borrowings made by the Province for all purposes and renders a bill to the Commission for interest on the advances made to it in accordance with this average rate of interest. Mr. Clarkson has informed us further that as auditor of the accounts of the Commission he has never had access to the records of the Treasury Department, and has accepted the rate of interest established by the Treasury Department in checking up the accounts of the Commission.

In view of the fact that the cost of power is very largely represented by the cost of money, that is, sinking fund and interest, it was deemed advisable that some investigation should be made to ascertain if the pro-

1. The first step in the process of identifying a problem is to define the problem. This involves identifying the symptoms of the problem and determining the scope of the problem. Once the problem has been defined, the next step is to identify the causes of the problem. This involves identifying the factors that are contributing to the problem and determining the underlying causes. Once the causes have been identified, the next step is to develop a plan of action. This involves identifying the steps that need to be taken to solve the problem and determining the resources that will be needed to implement the plan. Once a plan of action has been developed, the next step is to implement the plan. This involves carrying out the steps that have been identified in the plan and monitoring the progress of the implementation. Finally, the last step in the process is to evaluate the results of the implementation. This involves determining whether the problem has been solved and whether the resources have been used effectively.

1914

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4. "Question all the answers in this part."

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It would appear, therefore, that the literature

(Faint, illegible text)

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TABLE 1. *Continued*

visions of the Act in respect to the payment of interest had been strictly applied. Our Accountants, Messrs. Price, Waterhouse & Company, were therefore directed to determine the cost to the Province of the advances made to the Commission, the thought being that any difference between the amount of such cost and the total interest charged to the Commission since October 31st, 1914, would be either payable by or repayable to the Commission.

Application was therefore made to the Government for permission to investigate the books of account of the Treasury Department in respect of advances to the Commission and our auditors have prepared a report bearing date June 27th, 1923, entitled "Investigation of Provincial Accounts with reference to Interest Charges on Cash Advances," which gives in detail the nature of their investigations and their conclusions. A copy of this report is appended hereto.

In discussing the various amendments made to the Power Commission Act, set forth previously herein, the auditors, in their report, state as follows:

"While it appears quite clear that if the provisions of Section 15 (1a) have no application to advances prior to October 31, 1914, all advances made to October 31, 1914, should bear interest until repaid at the rate of 4% per annum, and that actual cost should be charged with respect to all advances made since October 31, 1917, there is some question as to the basis on which interest should be charged on advances made in the three years ending

October 31, 1917. The charges to the Commission for interest on the advances made in this three year period have been on the basis of 5% per annum, the Order-in-Council of October 31, 1917, having been interpreted as fixing the interest charge at this rate. It would appear that three different conclusions may be drawn from the amendment of 1915 and the subsequent Order-in-Council of 1917, viz:

- (1) That the Order-in-Council fixed at 5% the interest charge on all advances made in the period of three years ending October 31, 1917.
- (2) That the Order-in-Council limited to 5% the interest charge to October 31, 1917, on all advances made in the three years ending October 31, 1917, and that after that date the actual cost of the money might be charged in accordance with the amendment to the Act in 1915, and -
- (3) That the Order-in-Council was not in full compliance with the 1915 amendment to the Act and that a redetermination may now be made by the Lieutenant-Governor in Council fixing the charge to the Commission at the actual cost both prior and subsequent to October 31, 1917, on all advances made in the three years ending on that date in pursuance of Section 15 (1a).*

The report goes on to deal with the methods employed by the auditors in treating with the subject of exchange as between Canada and other countries, and deals also at some length with the retirement by the Province of certain inscribed stocks which had been issued free of succession duties. The report includes the views of Mr. Clarkson, the auditor of the Commission's accounts, who gives his opinion on the whole question of the establishment of interest rates.

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The findings of the auditors are summed up on pages 17, 18 and 19 of their report. The balance chargeable, according to the bases employed, varies widely and lies between the limits of an amount of \$1,315,936.56 as a charge against the Commission, which includes \$60,541.33 applicable to the Central Ontario System, and an amount of \$138,267.82 standing as a balance due by the Province to the Commission, of which \$11,397.54 is applicable to the Central Ontario System.

Messrs. Price, Waterhouse & Company and Mr. Clarkson agree to the principle that the Government may recover the actual cost of furnishing money to the Hydro-Electric Power Commission from November 1st, 1914. The actual cost of money, however, is largely determined by the allocation made of the profits from exchange, and they have failed to agree upon a method of allocation. Messrs. Price, Waterhouse & Company, employing one method, are of the opinion that the balance chargeable by the Government to the Commission's undertakings is \$683,440.62, of which \$40,169.16 is applicable to the Central Ontario System; while Mr. Clarkson, employing another method, is of the opinion that the balance chargeable by the Province to the Commission is \$285,761.57, of which \$27,298.17 is applicable to the Central Ontario System.

Dealing with interest charges on bonds issued by the Province for the Central Ontario System, our auditors state:

"In addition to the above amounts applicable to the Central Ontario System, the interest paid on the \$8,380,000 4% debentures issued for the purchase of the system and the \$225,000 5% debentures issued in part payment of the purchase price of the Bruton Township Pulpwood Limits failed to meet the actual cost of such money to the Province, as follows:

Expenses in connection with the issuance of the bonds not absorbed in interest charges	\$5,007.75
Commission paid banks for paying interest, not absorbed in interest charges	2,082.71
Difference between interest paid by Commission on annual basis and interest paid by Province on semi-annual basis	<u>17,449.97</u>
Total	<u>\$22,540.43."</u>

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If the Government elects to charge the Commission with the excess of the cost of money on any one of the bases set forth, the Commission will, under direction of the Lieutenant-Governor in Council in pursuance of Section 23a, have to distribute such charge among its various undertakings and also between capital and operation. As an indication of the disposition of such charge, there is given on pages 20 and 21 of our Accountants' report, approximate calculations showing the percentage that should be charged to capital and the percentage that should be charged to operations. In the main it would appear:

- (a) That about 50% of the balance owing shall be chargeable to capital account and 50% to operations.
- (b) That in respect of the Central Ontario System about 5% of the underpayment in respect of interest shall be chargeable to capital account and 95% to operating account.

"In addition to the above amounts payable to the various entities, the following amounts were also paid to the various entities during the period from 1970 to 1972:

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with the support of the staff of the Bureau of the Census.

and the Commission will, under direction of the

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has contributed much to the understanding of the factors involved in the

Journal of Management Education 34(1) 12-26

(a) That about 80% of the balance being paid to the
 (b) The balance being paid to the

(b) That in respect of the Central Postal Directory, 1941
 12 of the subpostage in respect of inland mail
 be chargeable to capital account and 100 in respect of
 foreign mail.

In making the examination, our Accountants have taken into account the interest payable by the Commission to the Province in 1921-1922 of amounts aggregating \$360,915.75, representing interest in respect of advances made for the Cameron Falls Development in the Thunder Bay System. While the Interim Report of this Commission on this subject shows that the interest owing the Government at that date was in excess of \$70,000, the 1922 figures are now available and are shown here for purposes of convenience. Messrs. Price, Waterhouse & Company's statement in this respect is as follows:

1921 - Retrospective adjustment of interest to 5% on advances for the purposes of Nipigon Development	\$ 71,785.41
1922 - Deferred interest expense of Nipigon operation for the fiscal year ending October 31, 1922	<u>289,130.34</u>
T o t a l	<u>\$ 360,915.75</u>

It is understood that this interest will be paid to the Province as soon as the Commission has funds available to do so. In the meantime the amount stands as a credit to the Province.

Factors contributing to Undercharge by Province

In summing up the reasons leading to incorrect charges in respect of interest on advances made to the Commission, Messrs. Price, Waterhouse & Company state as follows:

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In making the examination, our observations have
shown that the interest of the Commission in
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follows

"The main reasons for the difference in the average effective rates are as follows:

- (a) Under authority of an Order-in-Council a rate of interest of 5% was charged to the Commission in 1917 on advances for the three years ending October 31, 1917. (thereafter the Province averaged the cost of loans each year to determine an annual rate and did not give effect to changes in interest rates arising in connection with refunding.)
- (b) Interest on borrowings is paid by the Government half-yearly whereas interest is paid by the Commission yearly on advances made by the Government out of such borrowings. This factor was not taken into consideration by the Government in determining the average effective rates but we have necessarily given effect thereto.
- (c) In determining an annual average effective rate the Government used a full year's interest on Treasury Bills, which did not represent the actual cost of such bills, since they are practically all of less than a year's duration. These Treasury Bills have therefore been put on an annual basis in order that a true average effective rate per annum might be determined.
- (d) The effective rates of interest on specific loans were applied by the Government to the face value of the loans in determining an annual average rate whereas the effective rates of interest on specific loans have been applied to the net proceeds or actual cash received in determining our adjusted average rate of interest.

"Furthermore, the Province included exchange profits in the effective rates of interest but failed to include exchange and other sundry expenses which were required to be paid subsequent to the dates of issue of the loans in connection with interest payments."

The relationship as regards collection of interest during the period that the flat rate was in effect was indeed

The main reasons for the differences in the average effective rates are as follows:

(a) Some countries in the Western Hemisphere have a high rate of interest on their foreign debt. This is particularly true of the United States, where the rate is 4.5 percent. In contrast, the rate in many other countries is much lower, often as low as 1 percent. This difference in interest rates has a significant effect on the average effective rate.

(b) Interest on foreign debt is paid by the Government of the United States. In contrast, in many other countries, the interest is paid by private companies or individuals. This difference in the source of the interest payments has a significant effect on the average effective rate.

(c) In determining the average effective rate, it is necessary to take into account the effect of exchange rates. This is particularly true in the case of countries with floating exchange rates, where the rate can fluctuate significantly. This fluctuation can have a significant effect on the average effective rate.

(d) The effective rate of interest on foreign debt is also affected by the method of calculation. There are two main methods: the "nominal" method and the "real" method. The nominal method takes into account only the nominal interest rate, while the real method takes into account the effect of inflation. This difference in the method of calculation has a significant effect on the average effective rate.

Furthermore, the average effective rate is also affected by the method of payment. There are two main methods: the "lump sum" method and the "annuity" method. The lump sum method involves a single payment at the end of the term, while the annuity method involves a series of payments over the term. This difference in the method of payment has a significant effect on the average effective rate.

The relationship between the average effective rate and the nominal interest rate is as follows:

a very simple one, in that the rate chargeable was established by statute and no doubt could exist as to the amount payable by the Commission. The unfairness of a flat rate is, however, very apparent, and if used would result in loss or profit to the Government. A profit to the Government would result in unnecessarily high rates for power to the municipalities, and a loss to the Government would result in a special advantage to customers of the Commission at the expense of the rest of the Province.

With respect to the deficiency in interest charged by the Government since 1917, it would appear that determination of the course to be followed in this respect is a matter of Government policy. From an economic standpoint the various bases are set forth in Messrs. Price, Waterhouse & Company's report together with their opinion on the matter and the opinion of Mr. G. T. Clarkson, the official auditor of the Commission's accounts.

Whatever course the Government may pursue as to the adjustment of interest moneys due it on past advances, it would appear advisable that the method of establishing interest rates on future advances to the Commission be strictly defined so that the correctness of the charges will be beyond question. Advances to the Commission have been made from the general borrowings of the Province, and while the amounts necessary for Hydro have in recent years formed a very sub-

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substantial part of the funds for all Provincial purposes, no attempt has been made in the past to segregate or make specific loans for Hydro purposes. Funds coming into the hands of the Provincial Treasurer have been advanced as the requirements demanded for any or every purpose, and the interest rate averaged annually, and this rate applied to all advances.

In order that moneys may always be available to meet current requirements it is necessary for the Treasurer to keep a substantial surplus or reserve on hand. So far as the Commission is concerned, requisition is made on the Government for funds from time to time and the Treasurer is required to see that funds are available under the votes upon which the requisition is made. While such reserve or surplus is in the hands of the Government, the Province must necessarily meet the difference in cost between the interest rate it receives from its banker, and the interest rate it must pay on the bonds which the funds represent. This is an item of financing cost which the Government bears and which is not charged to the undertakings for which the advances are made. It is possible to determine the cost for the total amount held in reserve throughout the year, but almost impossible to arrive at the proportionate cost chargeable to each undertaking.

No attempt has ever been made to charge this

essential part of the funds for all provincial purposes.
An attempt has been made in the past to negotiate at some
special loans for hydro purposes. Funds coming into the
hands of the provincial government have been almost all the
proceeds of the sale of land for hydro purposes, and the in-
terest rate averaged annually, and this rate applied to all
payments.

In order that water may always be available in
most current requirements it is necessary for the government
to keep a substantial surplus of revenue on hand. So far as
the government is concerned, regulation is made on the
basis of the revenue to be fixed and the revenue is
regulated in such a way as to be available under the water
law when the regulation is made. This work requires an
outlay in the hands of the government, the revenue
must necessarily meet the difference in cost between the
interest rate it receives from the banks, and the interest
rate it must pay on the loans for the water projects.
This is an item of financing cost which the government must
pay when it is engaged in the water project. The water
resources are made. It is possible to determine the cost
for the total water bill in water projects and water
and almost impossible to make up the government's bill
for water in such a manner.

An attempt has been made to change this

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financing cost to the Commission. In reviewing the situation the matter was taken up with Messrs. Price, Waterhouse & Company, who advised that it would be impossible to arrive at a figure for past advances and very difficult, if not impracticable, to establish any rules by which the exact cost could be arrived at in reference to future advances to the Commission unless the present scheme, by which moneys are advanced to the Commission out of the consolidated borrowings of the Province, is entirely changed.

Thus in addition to having the advantage of the borrowing facilities of the Province, the Commission has benefited by having funds available for use when required without having to meet the cost during the period that the funds were held available for its purposes. When the rate for money was at 4%, this financing cost was relatively low as compared with the periods when money cost the Province 6%, 7% or 8%. The difference between the interest yield on the bonds at such interest rates and the bank rate received by the Government while the funds were on deposit, would represent a very substantial sum. It would appear, therefore, that the Government is more than an accommodating banker, advancing funds to the Commission on the basis of cost, in that it bears the costs contingent on having such funds available at the times required.

In review of the several reasons given by Messrs. Price, Waterhouse & Company for the errors made in computing average effective rates, it is quite apparent that a closer check should be kept on the methods employed in arriving at the average rate chargeable. Some of the items omitted, and the manner in which the calculations were made, leads one to believe that they were made without full understanding of all the factors necessary for accurate results.

While the provisions in the Act directing the Commission to pay cost for their funds remains in force, the Government should take care to see that interest on all advances made by it to the Commission are collectible each year at a rate which will include every direct or indirect cost. Now that the borrowings on account of the Commission have reached such magnitude, and in view of the fact that upwards of 60% of the municipalities in the Province are interested in the advances made to the Commission, it would appear that in the interests of all concerned the official auditor of the Commission's accounts should be given the opportunity of working in co-operation with the Provincial Treasurer's Department in arriving at the interest rate that is to be applied each year. The method of arriving at such average rates involves accounting methods of the highest order, and all those concerned would be better served by having this check on the calculations.

The suggestion has been advanced that Government borrowings in respect of the Commission's undertakings should be so earmarked that the funds available from the sale thereof would be used only for these undertakings. A decision on this matter would appear to involve a matter of public policy, and if decided upon would necessarily alter the provisions and the statutes which at the present time provide that moneys shall be advanced to the Commission out of the general borrowings of the Province. If such procedure were adopted it would appear necessary that the Government should require from the Commission a detailed statement at the commencement of each fiscal year, setting forth the specific amounts that would be required by it for each monthly period. With this information, the Provincial Treasurer would have to provide funds in the amounts required by the Commission on the dates specified in the requisition. Under such conditions it would appear proper for the Government to deposit the funds in a separate bank account, against which the Commission would issue its cheques.

Inasmuch as it is impossible for the Commission to determine exactly in advance the amount of money that would be required during each period, there would undoubtedly be times when surplus funds would be available in the special account and other periods when the funds would be insufficient to meet the current commitments of the Commission. During a period of surplus, the funds so available might well be invested in Dominion or Provincial securities, which could be

The Committee has been advised that the
information is being provided to the Committee's staff
to be examined and the funds available from the sale
should be used only for those purposes. A decision
on this matter would be made in a matter of time
policy, and it would be decided upon with respect to the
vision and the other things at the present time. It
is not likely that the Committee will at the
present borrowing of the Province. If such procedure were
adopted it would require necessary that the Government should
require from the Province a detailed program of the
management of the Province, which would be the specific
means that would be required by it for each and every period.
With this information, the Committee would have
to provide funds in the amount required by the Committee
on the dates specified in the regulations. There would be
little if any other action for the Government to require
the State is a separate legal entity, which would be
financially independent from the Province.
However, as it is impossible for the Committee to
determine exactly in advance the amount of money that would
be required during each period, there would naturally be
times when surplus funds would be available in the period
between and after periods when the funds would be required
to meet the current requirements of the Committee. During
periods of surplus, the funds so available might be in-
vested in securities or provincial securities, which could be

readily liquidated when required. When funds were not available some means would have to be provided, through Government agency or otherwise, providing the Commission with sufficient funds to meet its current liabilities until the drawing account had been replenished.

Considering the problem in its broadest sense, it would appear that little would be gained by a change from the procedure as at present laid down by the Power Commission Act. On the other hand, if, as a matter of Government policy, it be decided that Provincial borrowings in respect of the Commission's undertakings be so earmarked as to make the funds arising out of such borrowings distinguishable, such a step would go a long way toward placing beyond doubt the question of interest rate chargeable by the Province to the Commission. Whether the present procedure is allowed to continue or whether the method of raising funds for the Commission's undertakings is changed, the investigations made indicate quite clearly that a stricter supervision should be kept of the method employed in calculating interest rates, and to this end it would appear advisable that the official Government auditor of the Commission's accounts be given every opportunity of checking annually the rate charged by the Government on funds advanced by it to the Commission.

Effect of Interest Rate
on Cost of Power

There are very few, if any, undertakings in which interest payable on the capital investment plays so important a part as in the generation of electrical energy. In this business the interest paid on the capital investment forms an unusually large part of the total cost of the commodity. In the operation of works controlled by the Commission this fact applies in all cases.

In addition to charges in respect of interest, the Commission is required by the Act to charge into the cost of power all other expenses. In the general order of their importance the various items entering into the cost of power are as follows: -

1. Interest
2. Renewals
3. Sinking Fund
4. Maintenance
5. Operating
6. Overhead and General Expense
7. Contingencies.

In some cases the order of items 3 to 6, inclusive, may vary, but in all cases interest remains the principal item in the cost of power.

For the purpose of illustrating the relative importance

of the charges making up "cost", hereunder is given in tabulated form a list of Hydro systems with the various charges making up the total cost, shown in percentages. These figures have been compiled from reports submitted to the Commission by our Consulting Engineer, and are for the year ending October 31, 1921. The Systems are divided generally under two headings -

(a) Systems in which all or practically all power is supplied by a generating plant forming part of the system;

(b) Systems in which power is purchased by the Commission from outside sources.

(a) Systems in which power is generated:

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	Thunder Bay	Severn	Waddell's	Eugenia	Muskoka	Hideau
Power Purchased	6.02%	8.9%	-	-	-	5.72%
Interest	73.13	29.7	34.6%	37.90%	35.63%	53.03
Renewals	-	18.0	15.2	19.05	19.56	21.55
Sinking Fund	-	9.0	13.4	5.65	2.77	-
Maintenance	3.37	11.7	7.9	11.60	10.13	2.82
Operating	11.93	9.5	13.1	7.25	20.53	9.41
Overhead and General Exp.	5.55	12.6	10.2	18.02	10.42	6.87
Contingencies	-	0.6	0.6	0.53	1.11	0.60
Surplus	-	-	-	-	-	-
	100%	100%	100%	100%	100%	100%

(*) NOTE: - It should be noted that in 1921 Cameron Falls development had only two generators in operation and construction work was still under way. No renewals, contingencies or sinking fund charges had been applied at that time. As soon as these charges are applied the effect will be to reduce the ratio that

interest bears to the whole cost, and the figure of 73% given may then be considerably reduced.

(d) - These three systems have an interchange of power and all purchase power from the Grilling plant, but each has its own generating plant as well.

(b) Systems which purchase Power

	Niagara	St. Lawrence	Thorold	Essex
Power Purchased	55.96%	34.9%	38.3%	33.9%
Interest	15.50	23.9	4.2	13.6
Renewals	7.49	15.7	1.1	13.3
Sinking Fund	4.93	7.8	2.3	4.1
Maintenance	3.34	5.3	0.4	13.6
Operating	4.51	2.3	0.8	4.3
Overhead and				
General Expense	6.90	9.6	-	12.2
Contingencies	0.87	0.5	-	-
Surplus	-	-	53.0	-
	100%	100%	100%	100%

(f) NOTE: Niagara System in 1921 did not include the group of generating plants at Niagara and was shown in the books of the Commission as a purchaser of power.

It will be noted that in group (b) the item "Power Purchased" forms a large percentage of the cost and that "Interest" charges are greatly reduced although still remaining the largest of the group of seven standard items of cost. The item "Power Purchased", however, represents the price paid for power at the place of generation or delivery and so includes interest charges on the capital invested in all works connected with the actual

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Interest basis for the whole year, and the amount of the plan
may also be accordingly reduced.
(b) - These three systems may be considered as follows:
and all systems power from the utility plant, and each has its
own generating plant as well.

(c) System with separate units

Power purchased	Interest on investment	Interest on investment	Interest on investment
25.00	25.00	25.00	25.00
15.00	15.00	15.00	15.00
10.00	10.00	10.00	10.00
5.00	5.00	5.00	5.00
2.50	2.50	2.50	2.50
1.25	1.25	1.25	1.25
0.625	0.625	0.625	0.625
0.3125	0.3125	0.3125	0.3125
0.15625	0.15625	0.15625	0.15625
0.078125	0.078125	0.078125	0.078125
0.0390625	0.0390625	0.0390625	0.0390625
0.01953125	0.01953125	0.01953125	0.01953125
0.009765625	0.009765625	0.009765625	0.009765625
0.0048828125	0.0048828125	0.0048828125	0.0048828125
0.00244140625	0.00244140625	0.00244140625	0.00244140625
0.001220703125	0.001220703125	0.001220703125	0.001220703125
0.0006103515625	0.0006103515625	0.0006103515625	0.0006103515625
0.00030517578125	0.00030517578125	0.00030517578125	0.00030517578125
0.000152587890625	0.000152587890625	0.000152587890625	0.000152587890625
0.0000762939453125	0.0000762939453125	0.0000762939453125	0.0000762939453125
0.00003814697265625	0.00003814697265625	0.00003814697265625	0.00003814697265625
0.000019073486328125	0.000019073486328125	0.000019073486328125	0.000019073486328125
0.0000095367431640625	0.0000095367431640625	0.0000095367431640625	0.0000095367431640625
0.00000476837158203125	0.00000476837158203125	0.00000476837158203125	0.00000476837158203125
0.000002384185791015625	0.000002384185791015625	0.000002384185791015625	0.000002384185791015625
0.0000011920928955078125	0.0000011920928955078125	0.0000011920928955078125	0.0000011920928955078125
0.00000059604644775390625	0.00000059604644775390625	0.00000059604644775390625	0.00000059604644775390625
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generation. In the case of the St. Lawrence System it is not possible to analyze what makes up this cost, but for the Niagara, Thorold and Essex Systems the plants supplying the power are owned or controlled by the Commission and the cost can be analyzed.

Recently the Engineers of the Commission submitted to our Consulting Engineer estimates of operating expenses of "The Combined Plants at Niagara" comprising The Ontario Power Company, The Toronto Power Company (Electrical Development Company) and the Queenston-Chippawa Power Development including the Toronto steam plant (not operating). These plants are supplying all power to the Niagara, Thorold and Essex Systems and other sundry customers. It is interesting to note that they generate over 80% of the power supplied by the Commission, so that an analysis of their operating costs may well be considered.

In the estimates submitted, the Engineers of the Commission have departed slightly from the standard subdivisions, but as this report deals only with interest charges, the tables show that this item is readily distinguishable from the rest. The exact amount in dollars is not given but the percentages have been worked out and are given, for purposes of comparison, as follows:

ESTIMATE OF OPERATING EXPENSES OF THE ONTARIO POWER COMPANY,
THE TORONTO POWER COMPANY AND THE QUEENSTON-CHIPPAWA POWER DEVELOP-
MENT INCLUDING TORONTO STEAM PLANT (NOT OPERATING)

	<u>Total of Four Plants, three operating</u>			
	550,000HP	600,000HP	650,000HP	700,000HP
Interest	74.76%	74.73%	74.78%	69.00%
Operation and Maintenance	6.07	6.06	6.05	5.52
Sinking Fund	5.77x	5.61x	5.45x	12.52
Maintenance	3.82	3.85	3.90	3.61
Water Rental	3.29	3.49	3.58	3.28
Depreciation	2.80	2.87	2.93	2.80
Taxes and Insurance	2.41	2.34	2.28	1.98
Bank exchange, bond discount, etc.	1.03	1.00	0.97	0.85
Add charges on No. 16 unit, O.P.Co., - Interest 6%; Sinking Fund 1.8%; Depreciation 0.38%	0.05	0.05	0.05	0.04
(x) - Sinking Fund deferred on the Queenston-Chippawa plant				

If the estimates of the Commission's engineers are reasonably correct it may be concluded that, of all the charges entering into the cost of generating power in the combined plants at Niagara, interest on the capital invested represents approximately 70% of that cost. Even though it is found that the estimates are incorrect in some items, any changes would not materially affect the ratio that interest bears to the whole cost.

The actual interest rate used by the Commission in their estimate varied on the different works in accordance with the rate applicable to cash funds invested in the Queenston-Chippawa or the rate applicable to outstanding bonds on the Ontario Power Company and the Toronto Power Company. The rate varied between the approximate limits of 4% and 6%, and the average would be somewhat over 5%.

For the purpose of illustrating the actual effect a change in the interest rate has on the cost of power, let us assume the following conditions:

- (a) That interest charges form 70% of the cost;
- (b) That the interest rate is 5%;
- (c) That the cost of power at the point of generation is \$14.00 per horsepower under the above conditions.

On the above assumptions, the following table shows the approximate effect that a change of 1% has on the price of power:

Case (a) is for an increase of 1% - that is, interest at 6% instead of 5%.

Case (b) is for a decrease of 1% - that is, interest at 4% instead of 5%.

If 70% of the cost represents interest, then of the cost of \$14.00, \$9.80 is interest charges. Therefore, under

Case (a) if interest is 6%, this represents a 20% increase, or instead of \$9.80 per horsepower we get \$11.76 per horsepower.

Case (b) if interest is 4%, then a reduction of 20% results, or instead of \$9.80 per horsepower we get \$7.85 per horsepower.

Generally speaking, therefore, a rise or fall of 1%, with power costing about \$14.00, with interest at 5%, results in increasing or decreasing the cost by \$2.00 per horsepower, or a change of about 15%.

With interest playing so important a part in the cost of power, it is quite apparent that the municipalities

- (a) That interest charges have not been paid;
(b) That the interest rate is 5%;
(c) That the cost of money at the time of conversion is 100.00 per hundredweight, and the same condition.

On the above mentioned, the following table shows the approximate extent of the area of the United States.

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12-707 of the most important interest, from 1944

NAME: JENNIFER LORRAINE HARRIS SSN: 08-69-10375 DOB: 08-11-1975

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Respectfully,
Sincerely,

12. With twenty dollars buying about 500 shares, with interest at 10%

It is interesting to observe that the

...and the ...

Journal of Interpersonal Violence 27(10)

Received 25 January 1998; accepted 15 April 1998

have enjoyed considerable advantage through having the borrowing facilities of the Province at their disposal. With few exceptions, had the municipalities themselves been obliged to raise their own funds, the market would have demanded higher interest returns and this extra cost would have been reflected in the cost of power. As a result of this favorable condition the Hydro, as a competitor of privately owned plants, occupies a position of considerable advantage in that industrial loans for such purposes command much higher returns than do the annual borrowings of the Provincial Treasurer. It is impossible to state in actual figures just what this advantage has been because two conditions, identical in all respects, are not available for comparison, but that it has been quite appreciable is beyond doubt.

That the desirability of obtaining funds through the Provincial Treasury was early appreciated is quite evident in utterances made in 1906 by Sir Adam Beck. At a meeting of the "Western Power Organization" at Galt, July 24th, 1906, Sir Adam, in illustrating the advantages of the Act of 1906 as compared with the original proposals of 1903, stated:

"....The Province finances the undertaking."

Again:

"....You get the benefit of the borrowing capacity of the Province, four per cent., which is about as low as can be got..."

have enjoyed considerable success in the past in the
 the families of the President of their kindred. This has
 resulted, and the multiplicity of families has been
 in this family was found, the matter would have been
 higher interest relations and this matter would have been
 reflected in the past of power. As a result of this
 this resulted in the fact, as a consequence of which
 great, resulting in a number of individuals who are
 their individual forms for their purposes towards their
 outcome than in the common interests of the individual
 resulted. It is therefore in fact in actual things that
 that this system has been found to be possible.
 identical in all respects, and not possible for comparison,
 but that it has been quite appropriate to regard that.

That the possibility of obtaining some things
 the President's Treasury was only suggested in order to
 in reference made in 1911 by the same body. As a result of
 the President's Treasury, it was found that the
 that, in fact, the President's Treasury was not
 compared with the original proposal of 1911, which
 "The President's Treasury is the President's."

Again

"The President's Treasury is the President's
 property of the President, but not
 which is given to him as a gift."

(30)

As already shown, the municipalities were obligated to pay 4% on all expenditures of the Commission to October 31st, 1914. The cost of money increased about that time, and under authority of Section 23(c) of the Power Commission Act the Commission was directed to collect from the municipal corporations an additional amount to cover the difference between the 4% and the estimated cost. During the years 1915 and 1916 a rate of 4% was charged, and in 1917 5% was charged on all money advanced during the period beginning November 1st, 1914, and ending October 31st, 1917, and this rate has been retained since that date as applying to all monies advanced during that period. The rates applied to money advanced during the period 1918-1922 have been set out previously but are here repeated for the sake of convenience:

COPY

1918	at the rate of	6.186%
1919	"	5.34
1920	"	6.20
1921	"	6.50
1922	"	5.48

Interest Rates in the future

With the peak of money cost over, on first consideration one might be warranted in looking forward to an early and substantial reduction in the annual yearly cost of Provincial borrowings. During the last twelve or eighteen months there has occurred substantial reductions in the cost of Provincial borrowings, and at the present time rates are ruling at slightly less than 5%, and some forecast that Provincial money will cost still less at comparatively early dates. Whatever does happen, the present tendency is downward, and new borrowings, either as original loans or for refunding purposes, will cause the average annual rate applicable to the Commission's funds to drop. The extent

(51)

to which the average annual rate will drop is principally governed by two factors, namely:

- (a) the decrease in effective rates on future borrowings, and
- (b) the effective interest rate on borrowings made during the high rate period and the duration of such loans.

The effect of (a) is obvious and requires no explanation. In reference to (b), the interest rates are known to be high, but if the loans made under these conditions are for a short period, on being refunded with new loans at lower rates the average rate applicable will drop. That the Commission and the Auditor believed that the Government had borrowed money on short date securities and are hopeful of an early reduction in the interest rate, is seen from evidence given before us. Mr. Lucas stated as follows:

MR. LUCAS: "Allow me, having some knowledge of the law on the question, to state the difficulties in the way. For instance, during the war the Government borrowed certain moneys at high rates of interest for Wapigon and other Hydro development. They borrowed it at short rate dates, at high rates of interest. Now, they are still on their books charging those high rates of interest on short rate dates."

Ev.
611

THE CHAIRMAN: "And they are still paying it?"

MR. LUCAS: "I submit not. Some of those loans have fallen in and are being replaced from time to time at lower rates, but the high rate of the temporary loan still continues."

Again:-

THE CHAIRMAN: "We all know that, Mr. Lucas, and we know the moneys were borrowed for short term periods."

Ev.
612

to which the average annual rate will drop is principally

because of the interest payable

(a) the average in effective rates on foreign borrowings

(b) the average in effective rates on foreign borrowings made during the last year ended and the period of one year

The effect of (a) is obvious and requires no ex-

planation. The effect of (b) is the interest rate on foreign

loans, and it is the same under both conditions and

for a short period, as being followed with the same or lower

rates the average rate applicable will drop. Thus the Gov-

ernment and the Auditor believed that the Government had

received more than the average rate on its foreign loans and also hoped to

as early reduction in the interest rate, as seen from

the following table given by Mr. W. L. Brown stated as follows:

MR. BROWN: "Allow me, having some knowledge

of the law on the question, to state the

distinction in the law. For instance, during

the war the Government borrowed certain money

at a high rate of interest for foreign and other

loans. It was borrowed at a high

rate, as high rates of interest. But

they are still on their foreign loans at

high rates of interest on their foreign loans.

THE AUDITOR: "The law is still paying for

MR. BROWN: "I repeat that. Some of these loans

have fallen in and are being repaid from time

to time as loans mature, but the high rate of the

repayment is still making."

Answer-

THE AUDITOR: "We all know that, Mr. Brown, and we know the average rate payable for these loans during the period."

MR. LUCAS: "For short rate dates."

Mr. Clarkson, in speaking of the establishment of the average yearly interest rate, also refers to short date securities and states in part as follows:

"It was felt that a fair rate had been charged, yes, and it has been within the knowledge and has been discussed by the Hydro Commission that some of the securities issued by the Province of Ontario, to provide money for this system and the Chippawa System, were short date securities, and the time was approaching when some of these securities would fall in and be refunded..."

Av.
615

The Honorable Peter Smith, appearing before us, stated that about \$35,000,000 borrowed between 1915 and 1922 was short date securities. The evidence in this connection reads as follows:

MR. LUCAS: "Perhaps Mr. Smith in a very rough way could say how much the borrowings are from 1915 up to date, I mean short date. I don't want any accurate statement, or anything that will commit you to anything, because it is only very general."

MR. SMITH: "I would say \$35,000,000."

Q. "Short date?"

A. "Yes, short date."

Q. "That has either fallen in or will fall in at an early date?"

COMMISSIONER HARRIS: "What do you call short date?"

A. "Six months or under a year."

THE CHAIRMAN: "Is three years the shortest?"

HON. MR. LUCAS: "With all this that has either fallen or will fall in there will be substantial sums coming in now?"

Ev.
645

A. "Yes."

During our investigation into the matter of interest payable by the Commission to the Government it was necessary for our Accountants to examine all loans made by the Government out of which advances have been made to the University of the Province, shown in the Public Accounts Commission.

A table has been prepared by Messrs. Price, Waterhouse & Company and is included herewith as pages 37, 38 and 39, showing the loans outstanding at October 31, 1922, used at that date to carry money borrowed between 1915 and 1922. The tables show the date of issue, the effective interest rate, the term of the loan and the term that each issue has to run from October 31, 1922. From the dates given it can be readily ascertained on what date each loan made will require refunding at the new interest rates then applicable.

The interest rates shown on the tables are on the basis of the Province paying its interest semi-annually, and since the Commission pays its interest rate annually to the Province, these rates must accordingly be increased slightly to place them on the basis of annual payments. As an illustration of what these figures would be it is to be noted that a 6% rate on a semi-annual basis would become 6.09% on

1990

A copy of this book is available to all members of the American Psychological Association for \$10.00.

Y905

The interest rates shown on the table are on the basis of the Federal Reserve Bank of New York, and the interest rates on the table are on the basis of the Federal Reserve Bank of New York.

an annual basis.

It is pointed out that a large proportion of the loans shown in the tables cover the refunding of loans made in previous years. The balances of the borrowings represent new money required by the Province in respect of the undertakings of the Commission and for other purposes. During the period under discussion the total new money coming into the Treasury of the Province, shown in the Public Accounts statements as direct liabilities, amounted to \$200,519,459.22. Of this amount, during the period 1915 to 1922, inclusive, \$106,675,957.85 represented funds advanced to the Commission and the purchase by the Province of the Central Ontario System. The total referred to above represents, therefore, over 53% of the total borrowings of the Province for this period.

Hereunder is given a table showing the range of the interest rates set out on the tables previously referred to:

**.Range of Effective Interest Rates
applicable to borrowings of period
1915 - 1922**

1915	4.947 - 6.352
1916	5.003 -
1917	4.975 - 6.570
1918	5.1749- 6.326
1919	5.1749- 5.934
1920	4.777 - 6.0285
1921	5.225 - 6.0285
1922	5.17 - 6.4237

on account of the

It is pointed out that a large percentage of the
 loans shown in the tables above are revolving in loans made
 in previous years. The balance of the revolving investments
 are shown reported by the Division in respect of the under-
 taking of the Commission and the other programs. During
 the period under investigation the total new money coming into
 the Treasury of the Government, shown in the table in column
 statement as direct contribution, amounted to \$20,816,462.25.
 At this amount, during the period this is 1932, inclusive,
 \$104,472,507.12 represents loans applied to the Commission
 and the purchase of the Treasury of the Central Office
 system. The total reported as above represents, therefore,
 over \$20 of the total investment of the Treasury for this
 period.

Statement is given in table showing the scope of the
 interest rates and set in the tables previously referred to:

Interest rates on investments in bonds	
1932 - 1933	
1932	2.50% - 3.50%
1933	3.50% - 4.50%
1934	4.50% - 5.50%
1935	5.50% - 6.50%
1936	6.50% - 7.50%
1937	7.50% - 8.50%
1938	8.50% - 9.50%
1939	9.50% - 10.50%
1940	10.50% - 11.50%
1941	11.50% - 12.50%
1942	12.50% - 13.50%

The term of these loans varied considerably, but a relatively small amount was for what may be termed short-term periods. A large proportion of the money was for periods extending from ten to twenty and thirty years. Referring particularly to the evidence given by the Honorable Peter Smith wherein he states that the Province borrowed about \$35,000,000 during 1916 to 1922 on short date securities for a period of six months, or under a year, it is to be noted that while this is true, a large portion of the above was refunded with long-term loans bearing a comparatively high rate of interest. However, in 1921, short-term loans were issued and refunded in 1922 at much lower rates of interest.

It will be further observed that a large proportion of the loans running for periods ranging from ten to thirty years were borrowed at interest rates little, if any, less than interest payable on shorter term funds.

It is impossible to forecast with accuracy just what interest rate the Commission will be required to pay in future years on the funds advanced to it for the various works that it may undertake as the cost of this money is regulated by the effective interest rates that will be applicable to future loans.

As already pointed out, the tendency of the cost of money is downward, but even assuming that in the course of a few years funds may be obtained as low as 4½%, this will not

(36)

in any way represent the average rate applicable, as the loans now outstanding, running for a considerable period of time, have relatively high interest rates which must be taken into account in determining the interest rate chargeable to Hydro on the advances of any year.

Doubtless it would have been in the interests of the Commission had money been borrowed by the Province on short terms, (i.e. three or five-year loans), even though at higher interest rates. Had such a procedure been followed these loans could now or in the future be refunded at considerably reduced interest rates, resulting in a greatly decreased average rate applicable to funds advanced to the Commission. It has been shown what an important part interest charges on capital investment play in regulating the cost of power. As stated, the Commission has been hopeful that the interest rate would show an early and material reduction, resulting in decreased power rates. There is little doubt that there will be some tendency downward, but that the reduction will be material for several years to come, appears very unlikely, and it is doubtful if the average rate applicable to moneys advanced between 1915 and 1922 will drop much below 6 per cent. for several years.

1339

It has not happened the way we expected, so we

There are several reasons why the results of this study are important. First, the study shows that the use of a single, standardized questionnaire is not sufficient to capture the full range of factors that influence the use of a technology. Second, the study shows that the use of a single, standardized questionnaire is not sufficient to capture the full range of factors that influence the use of a technology. Third, the study shows that the use of a single, standardized questionnaire is not sufficient to capture the full range of factors that influence the use of a technology.

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[illegible]

Table 1. Demographic characteristics of study population

[illegible]

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1987-1988: 48 elected, 100 appointed, 100 appointed

about the relationship between the two variables.

Colony is described as follows: There is

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that the valuation will be material for several years.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, 1997, 76, 10, 100.

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HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO

<u>Date of Issue</u>	<u>Loan Series</u>	<u>Description</u>	<u>Proceeds applicable to year's money</u>	<u>Effective interest rate before floating exchange</u>	<u>Term to run from Oct. 31, 1922</u>	<u>Maturity</u>
<u>1916 - MONEY</u>						
May 1, 1916	L	\$ 4,000,000 10 yr 4½	\$2,861,805.00	4.947%	2-1/2 years	May 1, 1925
June 1, 1916	-	4,000,000 10 yr 6s	77,863.74	5.0031	3-7/12 years	June 1, 1926
Feb. 1, 1917	E	2,000,000 10 yr 5s	1,942,125.84	5.069	4-1/12 years	Dec. 1, 1926
Aug. 15, 1919	EE	3,000,000 5 yr 8½	1,776,842.78	5.497	1-19/24 years	Aug. 15, 1924
Feb. 1, 1920	EE	3,000,000 10 yr 8½	1,527,825.97	6.852	7-1/6 years	Jan. 1, 1930
Apr. 1, 1920	KK	2,000,000 15 yr 6s	1,002,027.50	5.924	12-5/12 years	Apr. 1, 1935
<u>1916 - MONEY</u>						
June 1, 1916	-	4,000,000 10 yr 5s	1,000,000.00	5.003	3-7/12 years	June 1, 1926
<u>1917 - MONEY</u>						
Jan. 1, 1917	-	1,000,000 5 yr 6s	1,001,617.15	4.975	2 months	Jan. 1, 1923
Jan 15, 1918	-	2,000,000 5 yr 8½	1,969,763.00	6.5	2-1/2 months	Jan. 15, 1923
<u>1918 - MONEY</u>						
Feb. 1, 1918	T & U	3,000,000 10 yr 5s	2,990,051.35	6.326	5-1/4 years	Feb. 1, 1928
May 15, 1918	V, W & X	4,250,000 10 yr 6s	4,154,853.43	6.076	5-15/24 years	May 15, 1928
Aug. 15, 1918	Y	1,750,000 10 yr 6s	1,705,178.93	6.076	5-15/24 years	Aug. 15, 1928
Apr. 1, 1922	AB	15,000,000 30 yr 5s	3,000,000.00	5.1749	29-5/12 years	Apr. 1, 1952
Jan. 3, 1922	ZZ	15,000,000 15 yr 5½	484,876.67	5.365	14-1/6 years	Jan. 3, 1937
Nov. 15, 1920	PP	5,000,000 7 yr 6s	334,000.00	5.225	5-1/24 years	Nov. 15, 1927
Feb. 1, 1921	HH	10,000,000 20 yr 6s	666,000.00	6.3679	18-1/4 years	Feb. 1, 1941

TABLE 1. SUMMARY OF DATA FOR THE YEAR 1961

NAME		AGE		SEX		DATE		TIME	
NAME		AGE		SEX		DATE		TIME	
TABLE 1. SUMMARY OF DATA FOR THE YEAR 1961									
100	00.000,000,00	01	01	01	01	01	01	01	01
101	01.000,000,00	02	02	02	02	02	02	02	02
102	02.000,000,00	03	03	03	03	03	03	03	03
103	03.000,000,00	04	04	04	04	04	04	04	04
104	04.000,000,00	05	05	05	05	05	05	05	05
105	05.000,000,00	06	06	06	06	06	06	06	06
TABLE 2. SUMMARY OF DATA FOR THE YEAR 1962									
200	00.000,000,00	01	01	01	01	01	01	01	01
TABLE 3. SUMMARY OF DATA FOR THE YEAR 1963									
300	00.000,000,00	01	01	01	01	01	01	01	01
301	01.000,000,00	02	02	02	02	02	02	02	02
TABLE 4. SUMMARY OF DATA FOR THE YEAR 1964									
400	00.000,000,00	01	01	01	01	01	01	01	01
401	01.000,000,00	02	02	02	02	02	02	02	02
402	02.000,000,00	03	03	03	03	03	03	03	03
403	03.000,000,00	04	04	04	04	04	04	04	04
404	04.000,000,00	05	05	05	05	05	05	05	05
405	05.000,000,00	06	06	06	06	06	06	06	06
406	06.000,000,00	07	07	07	07	07	07	07	07
407	07.000,000,00	08	08	08	08	08	08	08	08
408	08.000,000,00	09	09	09	09	09	09	09	09
409	09.000,000,00	10	10	10	10	10	10	10	10

<u>Date of Issue</u>	<u>Loan Series</u>	<u>Description</u>	<u>Proceeds Applicable to year's money</u>	<u>Effective Interest Rate before deducting exchange</u>	<u>Term to run from Oct. 31, 1922</u>	<u>Maturity</u>
<u>1919 - MONEY</u>						
Jan. 3, 1922	ZZ	\$15,000,000 15 yr 5 1/2%	\$ 2,386,095.78	5.365%	14-1/6 years	Jan. 3, 1937
Apr. 1, 1922	AB	15,000,000 30 yr 5%	3,894,584.85	5.1749	29-5/12 years	Apr. 1, 1952
Aug. 15, 1919	EE	3,000,000 5 yr 5 1/2%	1,069,628.87	5.697	1-19/24 years	Aug. 15, 1924
Dec. 1, 1919	GG	3,000,000 10 yr 5 1/2%	1,936,061.52	5.80	7-1/12 years	Dec. 1, 1929
Apr. 1, 1920	KK	2,000,000 15 yr 5%	972,644.38	5.934	12-5/12 years	Apr. 1, 1935
Mar. 1, 1920	JJ	5,000,000 5 yr 5 1/2%	4,501,602.24	5.357	2-1/3 years	Mar. 1, 1925
<u>1920 - MONEY</u>						
Dec. 1, 1919	GG	3,000,000 10 yr 5 1/2%	556,740.38	5.80	7-1/12 years	Dec. 1, 1929
Apr. 1, 1920	KK	2,000,000 15 yr 5%	12,991.50	5.934	12-5/12 years	Apr. 1, 1935
June 15, 1920	EE	5,000,000 10 yr 5%	7,854,099.62	6.2479	7-15/24 years	June 15, 1930
Oct. 1, 1920	HH	3,000,000 3 yr 6%	2,855,187.43	4.777	11 months	Oct. 1, 1923
Sept. 23, 1919	FF	4,000,000 10 yr 5 1/2%	3,640,409.40	6.2575	6-11/12 years	Sept. 23, 1929
Nov. 15, 1920	PP	5,000,000 7 yr 6%	2,985,059.25	5.225	5-1/24 years	Nov. 15, 1927
Dec. 1, 1920	RR	16,000,000 15 yr 5%	4,025,000.00	6.8285	13-1/12 years	Dec. 1, 1935
Sept. 15, 1921	TV & YY	10,269,500 22 yr 6%	5,970,000.00	6.2052	20-7/8 years	Sept. 15, 1943
June 15, 1922	S	1,000,000 6 mos. 5 1/2%	950,000.00	5.7603	1-1/2 months	Dec. 15, 1922

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Date _____
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Page No. _____
Page No. _____

Page No. _____
Page No. _____

TABLE - 1

1	10,000,000,000	10,000,000,000
2	20,000,000,000	20,000,000,000
3	30,000,000,000	30,000,000,000
4	40,000,000,000	40,000,000,000
5	50,000,000,000	50,000,000,000
6	60,000,000,000	60,000,000,000
7	70,000,000,000	70,000,000,000

10	10,000,000,000
20	20,000,000,000
30	30,000,000,000
40	40,000,000,000
50	50,000,000,000
60	60,000,000,000
70	70,000,000,000

TABLE - 2

1	10,000,000,000	10,000,000,000
2	20,000,000,000	20,000,000,000
3	30,000,000,000	30,000,000,000
4	40,000,000,000	40,000,000,000
5	50,000,000,000	50,000,000,000
6	60,000,000,000	60,000,000,000
7	70,000,000,000	70,000,000,000
8	80,000,000,000	80,000,000,000
9	90,000,000,000	90,000,000,000
10	1,000,000,000,000	1,000,000,000,000

10	10,000,000,000
20	20,000,000,000
30	30,000,000,000
40	40,000,000,000
50	50,000,000,000
60	60,000,000,000
70	70,000,000,000
80	80,000,000,000
90	90,000,000,000
100	1,000,000,000,000

-5-

<u>Date of Issue</u>	<u>Loan Series</u>	<u>Description</u>	<u>Proceeds Applicable to year's money</u>	<u>Effective Interest rate before deducting exchange</u>	<u>Term to run from Oct. 1, 1922</u>	<u>Maturity</u>
<u>1921 - MONEY</u>						
Nov. 15, 1920	22	\$ 5,000,000 7 yr 6s	\$ 1,331,803.17	6.225%	5-1/24 years	Nov. 15, 1927
Dec. 1, 1920	22	16,000,000 15 yr 6s	10,717,786.00	6.8205	13-1/12 years	Dec. 1, 1935
Feb. 1, 1921	22	10,000,000 20 yr 6s	9,008,910.00	6.2879	18-1/4 years	Feb. 1, 1941
May 2, 1921	22	14,525,000 15 yr 6s	14,211,876.51	6.2182	13-1/2 years	May 2, 1936
Sept. 15, 1921	W & Y	10,289,500 22 yr 6s	8,990,378.00	6.2052	20-7/8 years	Sept. 15, 1943
Sept. 15, 1921	W & X	15,000,000 22 yr 6s	14,498,369.29	6.483	20-7/8 years	Sept. 15, 1943
Jan. 3, 1922	22	15,000,000 15 yr 5 1/2s	9,982,286.25	5.365	14-1/6 years	Jan. 3, 1937
July 15, 1922	22	5,000,000 6 mos 5 1/2s	4,982,143.51	6.0185	2-1/2 months	Jan. 15, 1923
June 15, 1922	22	1,000,000	44,980.00	5.7605	1-1/2 months	Dec. 15, 1922
<u>1922 - MONEY</u>						
Jan. 3, 1922	22	15,000,000 15 yr 5 1/2s	1,125,638.25	5.365	14-1/6 years	Jan. 3, 1937
Apr. 1, 1922	22	15,000,000 30 yr 5s	7,602,635.91	5.1749	29-5/12 years	Apr. 1, 1952
Oct. 2, 1922	22	20,000,000 20 yr 5s	19,529,047.20	5.21	19-11/12 years	Oct. 1, 1942
May 2, 1921	22	184,000 15 yr 6s	180,209.60	6.2131	13-1/2 years	May 2, 1936
		293,000	313,091.01	5.3303	13-1/2 years	May 2, 1936
Sept. 15, 1921	W & Y	4,710,500 22 yr 6s	4,552,227.20	6.284	20-7/8 years	Sept. 15, 1943
Nov. 1, 1921	-	525,000 7 yr 6s	504,087.50	5.17	6 years	Nov. 1, 1928
Oct. 15, 1922	22	5,000,000 6 mos 5 1/2s	4,976,500.00	6.4237	6-1/3 months	April 25, 1923
Oct. 1, 1922	J	1,000,000 1 yr. 5s	1,000,000.00	5.00	11 months	Oct. 1, 1923
Sept. 28, 1922	Bank Loan	5,000,000 -	5,000,000.00	5.00	-	On demand
Oct. 4, 1922	Bank Loan	4,000,000 -	4,000,000.00	5.00	-	On demand

